

Iowa Valley Community College District

Financial and Compliance Report

06.30.2004

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Iowa Valley Community College District

Officials

Name	Title	Term Expires
Board of Directors		
Beryl Wellborn	President	2005
Larry Johnson	Vice President	2007
Mary Lou Gunderson	Member	2005
Conrad DeJardin	Member	2007
Jane Jech	Member	2005
Delbert Kellogg	Member	2006
Yvonne Mallory	Member	2006
Area School		
Dr. Tim Wynes	President	
Roger Groteluschen	Vice President - Finance and Facilities Management and Board Treasurer	
Barbara Jennings	Board Secretary	

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Iowa Valley Community College District
Marshalltown, Iowa

We have audited the accompanying basic financial statements of Iowa Valley Community College District (District), Marshalltown, Iowa, as of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units which represents 100% of the assets and revenues of the aggregate discretely presented component units. Those financial statements are unaudited.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 11 of the Code of Iowa. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The discretely presented component units were not audited in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States or Chapter 11 of the Code of Iowa. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the basic financial statements referred to above present fairly, in all material respects, the financial position of Iowa Valley Community College District as of June 30, 2004, except for the aggregate discretely presented component units which is unaudited as of June 30, 2004, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 10 to the financial statements, during the year ended June 30, 2004, Iowa Valley Community College District adopted Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which resulted in the inclusion of the Marshalltown Community College District Foundation and the Ellsworth College Foundation as discretely presented component units in the District's basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2004 on our consideration of Iowa Valley Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Budgetary Comparison Schedule of Expenditures are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements of the District that collectively comprise the District's basic financial statements. The schedules listed in the table of contents as supplementary information, as well as the accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Davenport, Iowa
November 23, 2004

Iowa Valley Community College District

Management's Discussion and Analysis Year Ended June 30, 2004

Management of Iowa Valley Community College District (the District) provides this Management's Discussion and Analysis of the District's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- District operating revenues increased 36%, or approximately \$4,400,000, as compared to fiscal year 2003. The increase resulted primarily from increases in revenue under the Iowa Industrial Jobs Training of approximately \$1,600,000, allocation of scholarships of \$1,200,000, and \$822,000 in auxiliary revenues from the new housing program.
- In fiscal year 2003, District operating revenues decreased 8.5%, or approximately \$1,100,000, as compared to fiscal year 2002. The decrease resulted primarily from a decline in revenue under the Iowa Industrial Jobs Training Program of approximately \$1,700,000 resulting from a reduction in activity by participating companies. This corresponds with a reduction in NJTP expenses and a decrease to NJTP receivables. This was offset by increases in tuition revenue and federal appropriations of approximately \$200,000 each.
- District operating expenses increased 24%, or approximately \$5,300,000, as compared to fiscal year 2003. Cooperative services increased \$1,200,000 as compared to fiscal year 2003, due to increases in NJTP on the job training. Administration expenses also increased 46%, or approximately \$798,929, primarily as a result of increases in insurance, early retirements, and bad debts. The increase in operating expenses is also due to the additional housing program in auxiliary enterprises.
- In fiscal year 2003, District operating expenses decreased 3.7%, or approximately \$800,000 as compared to fiscal year 2002, not including depreciation. Cooperative services decreased 81.1%, or approximately \$1,500,000, as compared to fiscal year 2002, due to decreases in NJTP on the job training, classroom training, and interest expense. Administration expenses also decreased 25.9%, or approximately \$700,000, as a result of improved student account collections, lower early retirement elections, and decreased equipment expense. These reductions were partially offset by increases of approximately \$1,000,000 (47.8%) in amounts spent on physical plant and approximately \$600,000 (15.7%) for liberal arts and sciences expenses. Insurance costs for property, casualty, and liability coverage also increased in fiscal year 2003.
- The District's net assets increased 16%, or approximately \$2,500,000, from fiscal year 2003.
- The District's net assets decreased 2.1% in fiscal year 2003, or approximately \$300,000, from fiscal year 2002.

Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows. These provide information about the activities of the District as a whole and present an overall view of the District's finances.

Iowa Valley Community College District

Management's Discussion and Analysis Year Ended June 30, 2004

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year.

Reporting the District as a Whole

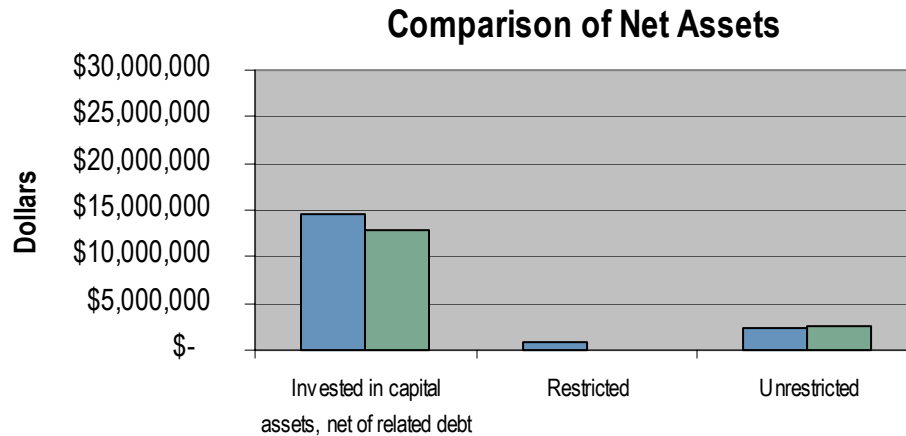
The Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the District, as a whole, as of the end of the fiscal year. The Statement of Net Assets is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the District to the readers of the financial statements. The Statement of Net Assets includes year-end information concerning current and noncurrent assets, current and noncurrent liabilities, and net assets (assets less liabilities). Over time, readers of the financial statements will be able to determine the District's financial position by analyzing the increases and decreases in net assets. This statement is also a good source for readers to determine how much the District owes to outside vendors and creditors. The statement presents the available assets that can be used to satisfy those liabilities.

Net Assets	June 30,	
	2004	2003
Current assets	\$ 14,470,926	\$ 17,003,629
Other assets	2,918,271	388,926
Capital assets, net of accumulated depreciation	21,222,954	18,244,605
Total assets	38,612,151	35,637,160
Current liabilities	8,897,808	8,569,966
Noncurrent liabilities	11,756,587	11,609,156
Total liabilities	20,654,395	20,179,122
Net assets:		
Invested in capital assets, net of related debt	14,612,706	12,895,083
Restricted	923,017	11,670
Unrestricted	2,422,033	2,551,285
Total net assets	\$ 17,957,756	\$ 15,458,038

Iowa Valley Community College District

Management's Discussion and Analysis Year Ended June 30, 2004



The largest portion of the College's net assets (81%) is invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets (5%) includes resources that are subject to external restrictions. The remaining net assets (14%) are the unrestricted net assets that can be used to meet the District's obligations as they come due.

Fiscal Year 2004: The District's debt increased a net \$535,528 for additional borrowing for capital investment and the Industrial New Jobs Training Program.

Capital assets increased \$2,978,349, primarily for the contribution of dormitories.

Fiscal Year 2003: Receivables related to Iowa Industrial New Jobs Training Program decreased approximately \$1,700,000, as businesses in the District had not been as active in their use of these programs. These revenues, and thus the receivables, are dependent on the needs of the participating companies.

The District borrowed \$2,600,000 under student housing revenue bonds of which it invested approximately \$1,500,000 in plant assets during the year. The District also borrowed an additional \$200,000 to acquire land for the ECC campus. Amounts borrowed under certificates payable were reduced by \$1,500,000 due to scheduled payments and offset by the issuance of \$625,000 in certificates payable in fiscal year 2003.

Iowa Valley Community College District

Management's Discussion and Analysis Year Ended June 30, 2004

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as reflected on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues of the District, both operating and nonoperating, and the expenses incurred by the District, operating and nonoperating, and any other revenues, expenses, gains and losses of the District.

In general, a public college, such as Iowa Valley Community College District, will report an operating loss since the financial reporting model classifies state appropriations and property tax as nonoperating revenues. Operating revenues are received for providing goods and services to the students, customers, and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the District. Nonoperating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

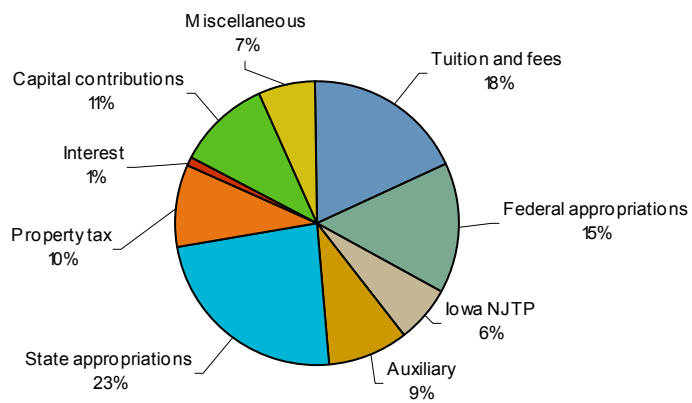
Changes in Net Assets	Year Ended June 30,	
	2004	2003
Operating revenues:		
Tuition and fees	\$ 5,506,340	\$ 4,360,628
Federal appropriations	4,516,260	3,902,052
Iowa Industrial New Jobs Training Program	1,939,398	375,201
Auxiliary enterprise revenue	2,679,985	1,857,872
Miscellaneous	2,050,986	1,775,194
Nonoperating revenues and transfers:		
State appropriations	7,126,657	7,125,664
Property tax	2,962,046	2,898,755
Interest income on investments	183,218	278,358
Transfers from agency fund	345,190	156,110
Capital contributions	3,279,558	-
Total revenues	30,589,638	22,729,834
Operating expenses	27,276,226	21,987,124
Interest on indebtedness	813,694	817,018
Loss on sale of capital assets	-	36,380
Total expenses	28,089,920	22,840,522
Increase (decrease) in net assets	2,499,718	(110,688)
Net assets:		
Beginning	15,458,038	15,568,726
Ending	<u>\$ 17,957,756</u>	<u>\$ 15,458,038</u>

Iowa Valley Community College District

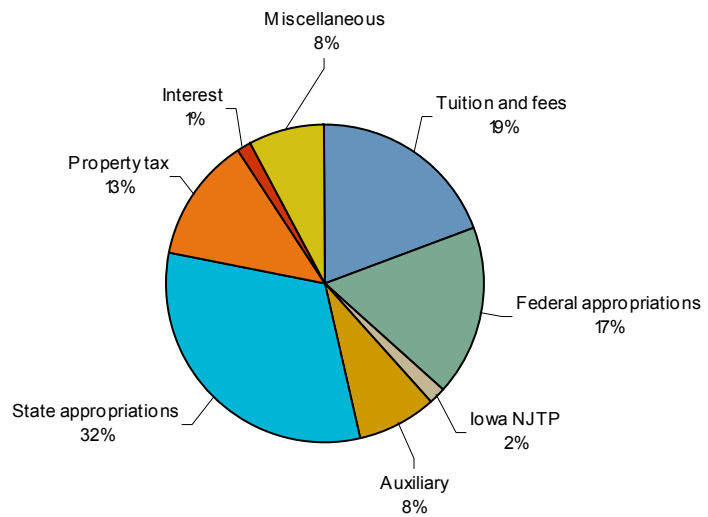
Management's Discussion and Analysis
Year Ended June 30, 2004

Total Revenues by Source

2004



2003



Iowa Valley Community College District

Management's Discussion and Analysis Year Ended June 30, 2004

In fiscal year 2004, operating revenues increased by approximately \$4,400,000 (36%). The increase was a result of the following changes:

- Iowa Industrial New Jobs Training revenues increased approximately \$1,600,000 due to more training activity.
- Tuition and fees, prior to the scholarship adjustment, increased by approximately \$1,200,000 due to a 10% increase in the number of credit hours and a 9.88% increase in the tuition rate charged per credit hour for resident students.
- The \$822,133 increase in auxiliary enterprises revenue was principally the result of the new housing program.

In fiscal year 2003, operating revenues decreased by approximately \$1,100,000 (8.5%). The decrease was a result of the following changes:

- Iowa Industrial New Jobs Training revenues decreased approximately \$1,700,000 due to less training activity.
- Tuition and fees increased by approximately \$200,000 due to a .3% increase in the number of credit hours and a 9.5% increase in the tuition rate charged per credit hour for resident students.
- The \$200,000 increase in federal appropriations was principally the result of an increase in federal student financial aid programs.

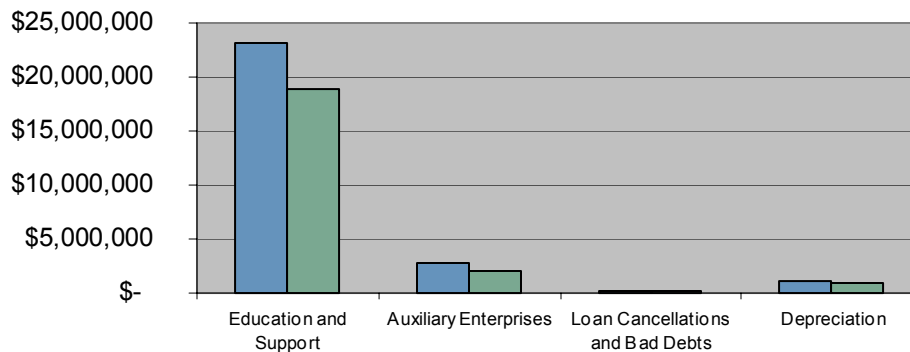
Iowa Valley Community College District

Management's Discussion and Analysis Year Ended June 30, 2004

Operating Expenses

	Year Ended June 30,	
	2004	2003
Education and support:		
Liberal arts and sciences	\$ 4,778,346	\$ 4,372,346
Vocational technical	2,652,016	2,187,854
Adult education	4,131,395	3,612,286
Cooperative services	1,589,717	339,905
Administration	2,523,549	1,724,620
Student services	1,860,245	1,288,474
Learning resources	476,914	435,542
Physical plant	2,861,956	2,988,592
General institution	2,356,293	1,888,125
Auxiliary enterprises	2,791,677	2,054,617
Loan cancellations and bad debts	196,313	166,815
Depreciation	1,057,805	927,948
Total operating expenses	\$ 27,276,226	\$ 21,987,124

Total Expenses



In fiscal year 2004, operating expenses increased by approximately \$5,300,000. The following factors explain some of the changes:

- Liberal arts and sciences, vocational technical, and adult education, the three functions relating to student instruction, increased approximately \$1,400,000. This was due to an increase in student services.
- Cooperative services increased by approximately \$1,200,000 as a result of more payments made to the companies participating in the Iowa Industrial New Jobs Training Program. These expenses are dependent on the needs of the participating companies.
- Expenses for administration services increased \$798,929 primarily as a result of increases in insurance, early retirements, and bad debts.

Iowa Valley Community College District

Management's Discussion and Analysis Year Ended June 30, 2004

In fiscal year 2003, operating expenses decreased by approximately \$800,000, excluding the addition for depreciation of \$1,000,000. The following factors explain some of the changes:

- Liberal arts and sciences, vocational technical and adult education, the three functions relating to student instruction, increased approximately \$500,000. This was due to an increase in student services.
- Cooperative services decreased by approximately \$1,500,000 as a result of smaller payments made to the companies participating in the Iowa Industrial New Jobs Training Program. These expenses are dependent on the needs of the participating companies.
- Expenses for administration services decreased \$900,000 as a result of improved student account collections, lower early retirement elections and decreased equipment expense. These reductions were partially offset by an increase in property, casualty, and liability insurance.
- Physical plant expenditures increased by approximately \$800,000 due primarily to the change in capitalization threshold.

Statement of Cash Flows

A statement included in Iowa Valley Community College District's basic financial statements is the Statement of Cash Flows. The Statement of Cash Flows is an important tool in helping users assess the District's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, non-capital financing, capital financing, and investing activities.

Cash Flows

	Year Ended June 30,	
	2004	2003
Cash provided by (used in):		
Operating activities	\$ (9,484,362)	\$ (7,560,950)
Noncapital financing activities	10,058,849	9,701,148
Capital and related financing activities	(1,031,764)	(2,379,715)
Investing activities	6,765,908	1,278,340
Net increase in cash	6,308,631	1,038,823
Cash:		
Beginning	3,019,615	1,980,792
Ending	<u><u>\$ 9,328,246</u></u>	<u><u>\$ 3,019,615</u></u>

Cash used in operating activities includes tuition, fees, grants, and contracts, net of payments to employees and to suppliers. Cash provided by noncapital financing activities includes state appropriations and local property tax received by the District. Cash used in capital and related financing activities represents the proceeds from debt, the principal and interest payments on debt, and the purchase of capital assets. Cash provided by investing activities includes investment income received and the net change in pooled investments.

Iowa Valley Community College District

Management's Discussion and Analysis Year Ended June 30, 2004

Capital Assets

At June 30, 2004, the District had approximately \$33,700,000 invested in capital assets, net of accumulated depreciation of \$12,400,000. Depreciation charges totaled \$1,057,805 for fiscal year 2004. Details of capital assets are shown below.

At June 30, 2003, the District had approximately \$29,400,000 invested in capital assets, net of accumulated depreciation of \$11,400,000. Depreciation charges totaled \$1,000,000 for fiscal year 2003. Details of capital assets are shown below.

Capital Assets, Net	June 30,	
	2004	2003
Land	\$ 1,115,708	\$ 1,061,363
Construction in progress	-	1,683,300
Buildings	18,609,338	13,809,767
Improvements other than buildings	552,399	551,600
Equipment and vehicles	945,509	1,138,575
Totals	\$ 21,222,954	\$ 18,244,605

Debt

At June 30, 2004, the District had \$13,525,248 in debt outstanding. This represents an increase of approximately \$535,528 from 2003.

At June 30, 2003, the District had \$12,989,720 in debt outstanding. This represents an increase of approximately \$800,000 from 2002. The table below summarizes these amounts by type.

Outstanding Debt	June 30,	
	2004	2003
Certificates payable	\$ 6,915,000	\$ 6,180,000
Notes payable and revenue bonds	6,610,248	6,809,720
	\$ 13,525,248	\$ 12,989,720

More detailed information about the College's outstanding debt is presented in the notes to the basic financial statements.

Iowa Valley Community College District

Management's Discussion and Analysis Year Ended June 30, 2004

Economic Factors

Iowa Valley Community College District continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for District officials. Some of the realities that may potentially become challenges for the District to meet are:

- State aid will remain virtually unchanged or decrease.
- Expenses will continue to increase. As the number of students increases, the costs associated with serving them continue to increase, but not more than the respective increase in tuition income.
- Facilities at the District require constant maintenance and upkeep, but these expenditures will be funded through the Plant Fund.

Contacting the College's Financial Management

This financial report is designed to provide our customers, taxpayers in the Community College District and our creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about the report or need additional financial information, contact Iowa Valley Community College District, 3702 South Center Street, Marshalltown, Iowa, 50158.

Iowa Valley Community College District

Statement of Net Assets

June 30, 2004

Assets	Primary Institution	Component Units - Foundations (Unaudited)
Current Assets:		
Cash and short-term pooled investments	\$ 9,328,246	\$ 554,517
Receivables:		
Accounts, net of allowance of \$1,064,714	919,400	-
Property tax	3,122,510	-
Due from other governments	700,410	-
Inventories	271,937	-
Prepaid expenses	128,423	-
Total current assets	14,470,926	554,517
Noncurrent Assets:		
Receivables, Iowa Industrial New Jobs Training Program	2,640,465	-
Investments	-	3,708,446
Prepaid expenses	277,806	-
Capital assets:		
Land	1,115,708	-
Buildings	28,045,682	-
Improvements other than buildings	716,496	-
Equipment and vehicles	3,784,461	-
Accumulated depreciation	(12,439,393)	-
Total noncurrent assets	24,141,225	3,708,446
Total assets	\$ 38,612,151	\$ 4,262,963

See Notes to Basic Financial Statements.

Liabilities and Net Assets	Primary Institution	Component Units - Foundations (Unaudited)
Current Liabilities:		
Accounts payable	\$ 694,205	\$ -
Salaries and benefits payable	1,108,348	-
Compensated absences	273,075	-
Accrued interest on notes and certificates payable	88,960	-
Deferred revenue:		
Succeeding year property tax	3,111,099	-
Other	800,558	-
Early retirement payable	214,000	-
Deposits held in custody for others	268,091	-
Certificates payable	1,640,000	-
Notes payable and revenue bonds	699,472	-
Total current liabilities	8,897,808	-
Noncurrent Liabilities:		
Early retirement payable	570,811	-
Certificates payable	5,275,000	-
Notes payable and revenue bonds	5,910,776	-
Total noncurrent liabilities	11,756,587	-
Total liabilities	20,654,395	-
Net Assets:		
Invested in capital assets, net of related debt	14,612,706	-
Restricted for:		
Nonexpendable, cash reserve	264,342	-
Expendable:		
Scholarships and fellowships	-	3,786,354
Loans	6,762	-
Plant	343,863	-
Iowa Industrial New Jobs Training Program	470,239	-
Early retirement	(683,018)	-
Other	520,829	-
Unrestricted	2,422,033	476,609
Total net assets	17,957,756	4,262,963
Total liabilities and net assets	\$ 38,612,151	\$ 4,262,963

Iowa Valley Community College District

Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2004

	Primary Institution	Component Units - Foundations (Unaudited)
Revenues:		
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$2,624,241	\$ 5,506,340	\$ -
Federal appropriations	4,516,260	-
Iowa Industrial New Jobs Training Program	1,939,398	-
Auxiliary enterprises revenue	2,679,985	-
Miscellaneous	2,050,986	286,294
Total operating revenues	16,692,969	286,294
Expenses:		
Operating expenses:		
Education and support:		
Liberal arts and sciences	4,778,346	-
Vocational technical	2,652,016	-
Adult education	4,131,395	-
Cooperative services	1,589,717	-
Administration	2,523,549	280,495
Student services	1,860,245	-
Learning resources	476,914	-
Physical plant	2,861,956	-
General institution	2,356,293	-
Auxiliary enterprises	2,791,677	-
Scholarships and grants	-	314,506
Loan cancellations and bad debts	196,313	-
Miscellaneous	-	41,271
Depreciation	1,057,805	-
Total operating expenses	27,276,226	636,272
Operating (loss)	(10,583,257)	(349,978)
Nonoperating revenues (expenses):		
State appropriations	7,126,657	-
Property tax	2,962,046	-
Investment earnings	183,218	782,816
Capital contributions	3,279,558	-
Interest on indebtedness	(813,694)	-
Net nonoperating revenues	12,737,785	782,816
Change in net assets	2,154,528	432,838
Transfers from agency fund	345,190	-
Total change in net assets	2,499,718	432,838
Net assets:		
Beginning of year	15,458,038	3,830,125
Ending	\$ 17,957,756	\$ 4,262,963

See Notes to Basic Financial Statements.

Iowa Valley Community College District

Statement of Cash Flows
Year Ended June 30, 2004

	Primary Institution	Component Units - Foundations (Unaudited)
Cash Flows from Operating Activities:		
Cash received from tuition and fees	\$ 5,946,117	\$ -
Cash received from federal appropriations	4,337,107	-
Cash received from Iowa Industrial New Jobs Training Program	2,570,496	-
Payments to employees for salaries and benefits	(13,582,046)	-
Payments to suppliers for goods and services	(13,487,007)	(321,766)
Payments for scholarships	-	(314,506)
Auxiliary enterprise receipts	2,679,985	-
Other receipts	2,050,986	286,294
Net cash (used in) operating activities	(9,484,362)	(349,978)
Cash Flows from Noncapital Financing Activities:		
State appropriations	7,254,360	-
Property tax	2,950,635	-
Miscellaneous Agency Fund receipts	861,407	-
Miscellaneous Agency Fund disbursements	(1,007,553)	-
Net cash provided by noncapital financing activities	10,058,849	-
Cash Flows from Capital and Related Financing Activities:		
Proceeds from issuance of debt	2,565,000	-
Acquisition of capital assets	(756,596)	-
Principal paid on debt	(2,029,472)	-
Interest paid	(810,696)	-
Net cash (used in) capital and related financing activities	(1,031,764)	-
Cash Flows from Investing Activities:		
Interest from investments	183,218	472,576
Sales of investments	-	24,711
Net change in pooled investments	6,582,690	-
Net cash provided by investing activities	6,765,908	497,287
Net increase in cash and short-term pooled investments	6,308,631	147,309
Cash and short-term pooled investments:		
Beginning	3,019,615	407,208
Ending	\$ 9,328,246	\$ 554,517

(Continued)

Iowa Valley Community College District

Statement of Cash Flows (Continued)
Year Ended June 30, 2004

	Primary Institution	Component Units - Foundations (Unaudited)
Reconciliation of operating loss to net cash (used in) operating activities, operating loss	\$ (10,583,257)	\$ (349,978)
Adjustments to reconcile operating loss to net cash (used in) operating activities:		
Depreciation	1,057,805	-
Loan cancellations and bad debts	196,313	-
	<u>1,254,118</u>	<u>-</u>
Changes in assets and liabilities:		
Increase in accounts receivable	(115,549)	-
Increase in Iowa Industrial New Jobs Training Program	(86,158)	-
Increase in due from other governments	(179,153)	-
Increase in inventories	(89,251)	-
Decrease in prepaid expenses	193,012	-
Decrease in accounts payable	(264,620)	-
Increase in salaries and benefits payable	362,678	-
Increase in deferred revenue	189,926	-
Decrease in early retirement payable	(214,000)	-
Increase in compensated absences	47,892	-
Total adjustments	<u>(155,223)</u>	<u>-</u>
Net cash (used in) operating activities	<u>\$ (9,484,362)</u>	<u>\$ (349,978)</u>
Noncash Capital and Related Financing Activity, capital assets donated	<u>\$ 3,279,558</u>	<u>\$ -</u>
Net appreciation of investments	<u>\$ -</u>	<u>\$ 310,240</u>

See Notes to Basic Financial Statements.

Iowa Valley Community College District

Combining Statement of Net Assets - Component Units - Foundations (Unaudited)

June 30, 2004

	Marshalltown Community College District Foundation	Ellsworth College Foundation	Total
Assets			
Current Assets:			
Cash and short-term pooled investments	\$ 95,454	\$ 459,063	\$ 554,517
Noncurrent Assets:			
Investments	2,181,253	1,527,193	3,708,446
Total assets	\$ 2,276,707	\$ 1,986,256	\$ 4,262,963
Liabilities and Net Assets			
Net Assets:			
Restricted for scholarships and fellowships	\$ 2,181,253	\$ 1,605,101	\$ 3,786,354
Unrestricted	95,454	381,155	476,609
Total net assets	\$ 2,276,707	\$ 1,986,256	\$ 4,262,963

See Notes to Basic Financial Statements.

Iowa Valley Community College District

**Combining Statement of Revenues, Expenses, and Changes in Net Assets -
Component Units - Foundations (Unaudited)
Year Ended June 30, 2004**

	Marshalltown Community College District Foundation	Ellsworth College Foundation	Total
Revenues:			
Operating revenues:			
Contributions	\$ 20,052	\$ 64,350	\$ 84,402
Special events and grants	107,971	90,689	198,660
Miscellaneous	3,232	-	3,232
Total operating revenues	131,255	155,039	286,294
Expenses:			
Operating expenses:			
Scholarships and grants	188,886	125,620	314,506
Miscellaneous	41,271	-	41,271
Administration	99,673	180,822	280,495
Total operating expenses	329,830	306,442	636,272
Operating (loss)	(198,575)	(151,403)	(349,978)
Nonoperating revenues (expenses):			
Investment earnings	376,867	405,949	782,816
Increase in net assets	178,292	254,546	432,838
Net assets:			
Beginning	2,098,415	1,731,710	3,830,125
Ending	<u>\$ 2,276,707</u>	<u>\$ 1,986,256</u>	<u>\$ 4,262,963</u>

See Notes to Basic Financial Statements.

Iowa Valley Community College District

**Combining Statement of Cash Flows -
Component Units - Foundations (Unaudited)
Year Ended June 30, 2004**

	Marshalltown Community College District Foundation	Ellsworth College Foundation	Total
Cash Flows from Operating Activities:			
Cash received as contributions	\$ 20,052	\$ 64,350	\$ 84,402
Cash received as fundraising and grants	107,971	90,689	198,660
Cash paid for contracted services	(140,944)	(180,822)	(321,766)
Cash paid for scholarships	(188,886)	(125,620)	(314,506)
Other receipts	3,232	-	3,232
Net cash (used in) operating activities	(198,575)	(151,403)	(349,978)
Cash Flows from Investing Activities:			
Sales of investments	-	24,711	24,711
Interest from investments	96,159	376,417	472,576
Net cash provided by investing activities	96,159	401,128	497,287
Net increase (decrease) in cash and cash equivalents	(102,416)	249,725	147,309
Cash and cash equivalents:			
Beginning	197,870	209,338	407,208
Ending	<u>\$ 95,454</u>	<u>\$ 459,063</u>	<u>\$ 554,517</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities, operating (loss)	<u>\$ (198,575)</u>	<u>\$ (151,403)</u>	<u>\$ (349,978)</u>
Net appreciation of investments	<u>\$ 280,708</u>	<u>\$ 29,532</u>	<u>\$ 310,240</u>

See Notes to Basic Financial Statements.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 1. Reporting Entity, Discretely Presented Component Units, and Significant Accounting Policies

Reporting entity:

The Iowa Valley Community College District (the District) is a publicly supported, post-secondary, two-year institution established and operated as an area community college by Merged Area VI, as provided in Chapter 260C of the Code of Iowa. The District offers programs of adult and continuing education, lifelong learning, community education, and up to two years of liberal arts, pre-professional or occupational instruction partially fulfilling the requirements for a baccalaureate degree but confers no more than an associate degree. It also offers up to two years of vocational or technical education, as well as training or retraining to persons who are preparing to enter the labor market. The District maintains campuses in Marshalltown, Iowa Falls, and Grinnell, Iowa and has its administrative offices in Marshalltown.

In fulfilling the responsibilities assigned to it by law, the District offers a comprehensive educational program and support services to fulfill local and state needs. The District serves primarily students from the state of Iowa.

Accounting principles generally accepted in the United States of America require that the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In addition, the GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which sets forth additional criteria to determine whether certain organizations for which the District is not financially accountable should be reported as component units based on the nature and significance of their relationship with the District. These criteria include (1) the economic resources being received or held by the separate organization being entirely or almost entirely for the direct benefit of the District or its constituents, (2) the District being entitled to, or having the ability to otherwise access, a majority of the economic resources received or held by the District, and (3) the economic resources received or held by an individual organization that the District is entitled to, or has the ability to otherwise access, are significant to the District.

The District is considered to be a primary government and has included Marshalltown Community College District Foundation and Ellsworth College Foundation as discretely presented component units in their basic financial statements in the current year with the adoption of GASB Statement No. 39 due to the nature of their relationship with the District.

Discretely presented component units:

Marshalltown Community College District Foundation is a legally separate not-for-profit foundation. The Foundation was established for the purpose of providing scholarships to students and other support for the benefit of Marshalltown Community College, part of Iowa Valley Community College District. The Foundation is governed by a separate Board of Directors. Although the District does not control the timing or amount of receipts from the Foundation, the majority of the resources that are held are used for the benefit of Marshalltown Community College.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 1. Reporting Entity, Discretely Presented Component Units, and Significant Accounting Policies (Continued)

Ellsworth College Foundation is a legally separate, tax-exempt foundation. The Foundation was established for the purpose of providing scholarships to students and other support for the benefit of Ellsworth Community College, a part of the Iowa Valley Community College District. The Foundation is governed by a separate Board of Directors. Although the District does not control the timing or amount of receipts from the Foundation, the majority of the resources that are held are used for the benefit of Ellsworth Community College.

The discretely presented component units operate on a December 31, 2003 year-end. Separate unaudited financial statements can be obtained at Iowa Valley Community College District, 3702 S. Center Street, Marshalltown, Iowa 50158.

Significant accounting policies:

Financial statement presentation: The basic financial statements (i.e., the statements of net assets, revenues, expenses, and changes in net assets, and cash flows) report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

Measurement focus and basis of accounting: For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined in GASB Statement No. 34. Accordingly, the basic financial statements of the District have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Accounting standards: The District follows Governmental Accounting Standards Board (GASB) pronouncements as well as following all Financial Accounting Board Statements and Interpretations, Accounting Principles Board Opinion and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash and short-term pooled investments: For purposes of the statement of cash flows, all short-term deposits or cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily converted to known amount of cash and at the date of purchase, have a maturity no longer than three months.

Investments: Investments are stated at their fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The District invests in the Iowa Schools Investment Trust which is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 1. Reporting Entity, Discretely Presented Component Units, and Significant Accounting Policies (Continued)

Property tax receivable: Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the Board of Directors to the appropriate County Auditors. The succeeding year property tax receivable represents taxes certified by the Board of Directors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Directors is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Receivable for Iowa Industrial New Jobs Training Program (NJTP): This represents the amount to be remitted to the District for training projects entered into between the District and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2004 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

Due from other governments: This represents state aid, grants and reimbursements due from the state of Iowa and grants and reimbursements due from the federal government.

Inventories: Inventories are valued at lower of cost (first-in, first-out method) or market. The cost is recorded as an expenditure at the time individual inventory items are consumed.

Capital assets: Capital assets, which include land, buildings, improvements other than buildings, equipment and vehicles, and construction-in-process are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repair that do not add to the value of the assets or materially extend asset lives are not capitalized. No interest costs were capitalized since there were no qualifying assets.

The District defines capital assets as assets with initial, individual costs in excess \$5,000.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements other than buildings	20 - 40
Equipment	10 - 20
Vehicles	5

The District does not recognize depreciation on capital assets currently under construction. Depreciation will commence upon completion of the project based on the applicable asset category and estimated useful life. The District does not capitalize or depreciate library books. The collection is unencumbered, held for public education, protected, cared for and preserved, and the proceeds from the sale of library books, if any, are not material to the District.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 1. Reporting Entity, Discretely Presented Component Units, and Significant Accounting Policies (Continued)

Salaries and benefits payable: Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred revenue: Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets have not been spent for their intended purpose restriction. Deferred revenue consists of unspent grant proceeds and the succeeding year property tax receivable.

Compensated absences: District employees accumulate a limited amount of earned but unused vacation for subsequent use. Earned, but unused vacation is paid to the employee upon termination, death, or retirement. Amounts representing the cost of compensated absences are recorded as compensated absences. These liabilities have been computed based on rates of pay in effect at June 30, 2004.

Accrued interest payable: Interest on long-term bonded indebtedness is recorded as a liability when the interest is payable.

Auxiliary enterprises revenues and expenses: Auxiliary enterprises revenues and expenses primarily represent revenues generated and expenses associated with bookstore, cafeteria, athletics, and housing.

Summer session: The District operates summer sessions. Revenues and expenses for the summer sessions are recorded in the appropriate fiscal year.

Tuition and fees: Tuition and fees revenues are reported net of scholarship allowances, while stipends and other payments made directly to students are presented as scholarship expenses.

Income taxes: The District is exempt from federal income taxes under the provisions of Section 115 of the Internal Revenue Code as a political subdivision of the State of Iowa. As such, the District is subject to federal income taxes only on any net unrelated business income under the provisions of Section 511 of the Internal Revenue Code.

Operating and nonoperating activities: Operating activities, as reported in the Statement of Revenues, Expenses and Changes in Net Assets, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nonoperating activities include state appropriations, property tax, investment earnings, and interest expense.

Transfers: Transfers from agency funds were primarily composed of amounts from student fees used in support of athletics.

Use of estimates: The preparation of financial statements in conformity with U.S. accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 1. Reporting Entity, Discretely Presented Component Units, and Significant Accounting Policies (Continued)

Net assets: Net assets are classified according to restrictions or availability of assets for satisfaction of District obligations. Invested in capital assets, net of related debt represents the net value of capital assets less the debt incurred to acquire or construct the assets and the borrowed resources not yet expended, but restricted for capital purchases. Restricted net assets represent the amounts segregated for specific purposes as allowed by the Code of Iowa, bond covenants, donors, or outside agencies. All remaining net assets are unrestricted for legal purposes, but may be designated for specific purposes. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Scholarship allowances and student aid: Financial aid to students is reported in the financial statements, as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third-party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances which reduce revenue. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition.

Note 2. Cash and Pooled Investments

As of June 30, 2004, the District's carrying amount of deposits totaled \$9,245,487 with a bank balance of \$9,712,142. The District's cash and deposits (money market accounts and certificates of deposit) as of June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

In addition, the District has \$82,759 invested in Iowa Joint Investment Trust. These investments are not subject to risk categorization.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies, and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

The District's investments during the year did not vary substantially from those at year-end in amount or level of risk.

Excluded from the cash and investment amount, disclosed immediately above, are cash and investments of \$4,262,963 which belong to the component units of the District. Investments of the component units consist principally of U.S. Treasury notes, corporate securities, agencies, equities, and mutual funds. Categorizations of risk for the component units are not available.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 3. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2004 is as follows:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Capital assets not being depreciated:				
Land	\$ 1,061,363	\$ 54,345	\$ -	\$ 1,115,708
Construction in progress	1,683,300	-	1,683,300	-
Total capital assets not being depreciated	2,744,663	54,345	1,683,300	1,115,708
Capital assets being depreciated:				
Buildings	22,483,307	5,562,375	-	28,045,682
Improvements other than buildings	695,416	21,080	-	716,496
Equipment and vehicles	3,717,007	81,654	14,200	3,784,461
Total capital assets being depreciated	26,895,730	5,665,109	14,200	32,546,639
Less accumulated depreciation for:				
Buildings	8,673,540	762,804	-	9,436,344
Improvements other than buildings	143,816	20,281	-	164,097
Equipment and vehicles	2,578,432	274,720	14,200	2,838,952
Total accumulated depreciation	11,395,788	1,057,805	14,200	12,439,393
Total capital assets being depreciated, net	15,499,942	4,607,304	-	20,107,246
Capital assets, net	\$ 18,244,605	\$ 4,661,649	\$ 1,683,300	\$ 21,222,954

Note 4. Changes in Noncurrent Liabilities

A summary of changes in noncurrent liabilities for the year ended June 30, 2004 is as follows:

	Compensated Absences	Early Retirement Payable	Certificates Payable	Notes Payable and Revenue Bonds	Total
Balance, beginning	\$ 225,183	\$ 998,811	\$ 6,180,000	\$ 6,809,720	\$ 14,213,714
Additions	273,075	-	2,065,000	500,000	2,838,075
Reductions	225,183	214,000	1,330,000	699,472	2,468,655
Balance, ending	273,075	784,811	6,915,000	6,610,248	14,583,134
Less current portion	273,075	214,000	1,640,000	699,472	2,826,547
Total noncurrent liabilities	\$ -	\$ 570,811	\$ 5,275,000	\$ 5,910,776	\$ 11,756,587

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 4. Changes in Noncurrent Liabilities (Continued)

Notes payable and revenue bonds:

The District has issued notes payable and revenue bonds for the purchase and construction of District properties as allowed by Section 260C.19 of the Code of Iowa. Details of scheduled maturities for the District's June 30, 2004 notes payable and revenue bonds are as follows:

	Principal	Interest	Total
Year ending June 30:			
2005	\$ 699,472	\$ 321,953	\$ 1,021,425
2006	604,472	297,809	902,281
2007	119,472	282,446	401,918
2008	124,472	278,278	402,750
2009	129,472	273,230	402,702
2010 - 2014	737,888	1,270,710	2,008,598
2015 - 2019	4,195,000	784,940	4,979,940
	<u>\$ 6,610,248</u>	<u>\$ 3,509,366</u>	<u>\$ 10,119,614</u>

Notes payable and revenue bonds consisted of the following principal balances as of June 30, 2004:

Note payable dated February 1, 2003, with an interest rate of 7%.

Interest is paid semiannually, while principal payments are due annually, with a maturity date of February 1, 2013. Certain land is collateral for the debt.

\$ 130,248

Dormitory revenue bonds dated October 1, 2002, with interest rates between 2.75% and 5.30%. Interest is payable semiannually, while principal payments are due annually, with a maturity date of May 1, 2018. The real estate, dormitory facilities, and related personal property are collateral for the debt.

2,560,000

Capital loan note dated July 2, 2001, with an interest rate of 4.32%. Interest payments are due semiannually, with semi-annual principal payments commencing December 1, 2003, and a maturity date of June 1, 2005.

600,000

Subtotal forward

\$ 3,290,248

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 4. Changes in Noncurrent Liabilities (Continued)

Subtotal forwarded	\$ 3,290,248
Student housing revenue bonds dated May 1, 1999, with interest rates between 4.35% and 5.85%. Interest is payable semiannually, while principal payments are due annually, with a maturity date of May 1, 2019. The real estate, student housing facilities, and related personal property are collateral for the debt.	1,130,000
Dormitory revenue bonds dated May 1, 2001, with interest rates between 4.25% and 5.75%. Interest is payable semiannually, while principal payments are due annually, with a maturity date of May 1, 2016. The real estate, dormitory facilities, and related personal property are collateral for the debt.	1,690,000
Capital loan note dated June 1, 2004, with an interest rate of 2.95%. Interest payments are due semiannually, with semi-annual principal payments commencing December 1, 2005, and a maturity date of June 1, 2007.	500,000
	<u>\$ 6,610,248</u>

Certificates payable:

Pursuant to agreements dated from July 1988 to June 2004, the District issued certificates totaling \$6,915,000 at June 30, 2004 with net interest rates ranging from 2.75% to 8.45% per annum. The debt was issued to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa. Iowa Industrial New Jobs Transfer Program (NJTP's) purpose is to provide tax-aided training for employees of industries which are new or are expanding their operations within the state of Iowa. Interest is payable semiannually, while principal payments are due annually. Amounts due will be paid from anticipated job credits, from withholding taxes, incremental property taxes, and, in the case of default, standby property taxes collected pursuant to Chapter 260E.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 4. Changes in Noncurrent Liabilities (Continued)

The certificates will mature as follows:

	Principal	Interest	Total
Year ending June 30:			
2005	\$ 1,640,000	\$ 383,885	\$ 2,023,885
2006	1,180,000	310,442	1,490,442
2007	900,000	238,985	1,138,985
2008	850,000	186,684	1,036,684
2009	670,000	137,436	807,436
2010 - 2014	1,675,000	213,112	1,888,112
	<u>\$ 6,915,000</u>	<u>\$ 1,470,544</u>	<u>\$ 8,385,544</u>

Since inception, the District has administered 108 projects, with 26 currently receiving project funding. Of the remaining projects, 49 have been completed and closed and 33 have been completed with only repayment of the certificates left. In cases where projects exceed the budgeted amounts, the District intends to obtain additional withholding revenue from the companies.

Note 5. Operating Leases

The District leases certain property under operating leases that expire at varying dates. Most of the operating leases provide the District with the option after the initial lease term either to renew the lease at the then fair rental value. Generally, management expects that the leases will be renewed or replaced by other leases in the normal course of business. Minimum payments for operating leases having initial or remaining noncancelable terms in excess of one year are as follows:

Year ending June 30:	
2005	\$ 407,452
2006	243,202
2007	179,578
2008	170,704
2009	173,794
	<u>\$ 1,174,730</u>

Total rent expense for all operating leases was \$383,892 for the year ended June 30, 2004.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 6. Iowa Public Employees Retirement System (IPERS)

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa (State). IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary, and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$289,631, \$275,200, and \$267,320, respectively, equal to the required contribution each year.

Note 7. Teachers Insurance and Annuity Association, College Retirement Equities Fund (TIAA-CREF)

The District contributes to the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) retirement program, which is a defined contribution plan. TIAA-CREF administers the retirement plan for the District. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible District employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, each employee is to contribute 3.70% and the District is required to contribute 5.75%. The District's contribution to TIAA-CREF for the year ended June 30, 2004 was \$244,790, equal to the required contribution for the year. The employees' contribution to TIAA-CREF for the year ended June 30, 2004 was \$177,255, equal to the required contribution for the year.

Note 8. Early Retirement

Staff who are at least half-time and who are age fifty-seven or older and have at least eleven years of continuous service with the District are eligible for early retirement remuneration. Retirement will begin at the end of the employee's contract. A staff member who accepts early retirement will receive cash benefits in thirty-six equal monthly installments beginning July 15 of the following fiscal year. The liability at June 30, 2004 for those employees electing early retirement was \$784,811 and is recorded in general restricted funds. Payment of the liability in future years will come from property tax revenue.

The District's early retirement expense for the year ended June 30, 2004, including insurance costs, was \$362,559.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 9. Risk Pool

The District is a member of the Insurance Management Program for Area Community Colleges (IMPACC), as allowed by Chapter 504A of the Code of Iowa. IMPACC is a risk-sharing pool whose seven members include Iowa community colleges. IMPACC was incorporated in May 1988 for the purpose of managing and funding insurance for its members. IMPACC provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials bonds, property and inland marine, errors and omissions and District board legal liability, workers' compensation and employers liability, crime insurance, fiduciary bonds, and boiler and machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual contributions to the program fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund the program's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year.

The District's contributions to the risk pool are recorded as expenditures from its restricted operating funds at the time of payment to the risk pool. The District's member allocation contribution to the program for the year ended June 30, 2004 was \$122,000.

The Program uses reinsurance to reduce its exposure to large losses. The Program has a self-insured retention of \$100,000 per property/liability, \$50,000 for error/omissions, and \$200,000 for workers' compensation. The policy limit per occurrence is \$900,000 for property/liability, \$950,000 for errors/omissions, and \$150,000 for workers' compensation. Excess insurance for workers' compensation is for statutory limits. Excess for all other lines is \$10,000,000 per occurrence. Property is insured with excess coverage over the self-insured retention of up to \$50,000,000 for boiler and machinery and up to \$101,000,000 for other property. Stop gap loss protection is provided above the member's loss fund.

IMPACC's intergovernmental contract with its members provides that in the event any claim or series of claims exceeds the amount of aggregate excess insurance, then payment of such claims shall be the obligation of the members. The District does not report a liability for losses in excess of reinsurance unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage in any of the past three fiscal years.

Members agree to continue membership in IMPACC for a period of not less than three full years. After such period, a member who has given sufficient notice, in compliance with the by-laws, may withdraw from IMPACC. Upon withdrawal, payments for all claims and claims expenses for the years of membership continue until all claims for those years are settled.

Note 10. Accounting Change

For the year ended June 30, 2004, the District implemented Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The significant change in the financial statements includes reporting the financial statements of Marshalltown Community College District Foundation and Ellsworth College Foundation as discretely presented component units. Since the component units are discretely presented, there is no change in the District's previously reported net assets.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 11. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several Statements not yet implemented by the District. The Statements which might impact the District are as follows:

Statement No. 40, *Deposit and Investment Risk Disclosures*, issued March 2003, will be effective for the District beginning with its year ending June 30, 2005. This Statement establishes and modifies disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. This Statement also establishes and modifies disclosure requirements for deposit risks.

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, issued November 2003, will be effective for the District beginning with its year ending June 30, 2006. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner.

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the District beginning with its year ending June 30, 2008. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supercedes existing guidance.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*, issued June 2004, will be effective for the District beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and if applicable, required supplementary information in the financial reports.

Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No. 34 will be effective for the District beginning with its year ending June 30, 2006. The purpose of Statement No. 46 is to help governments determine when net assets have been restricted to a particular use by the passage of enabling legislation and to specify how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

Iowa Valley Community College District

**Budgetary Comparison Schedule of Expenditures - Budget and Actual
Required Supplementary Information
Year Ended June 30, 2004**

Funds/Levy	Original Budget	Amended Budget	Actual	Variance Between Actual and Amended Budget
Unrestricted	\$ 17,500,000	\$ 17,500,000	\$ 17,048,381	\$ 451,619
Restricted	8,047,138	8,047,138	1,336,397	6,710,741
Unemployment	15,620	15,620	1,793	13,827
Insurance	757,906	757,906	760,363	(2,457)
Early retirement	1,140,213	1,140,213	362,559	777,654
Equipment replacement	306,199	306,199	209,594	96,605
Cash reserve	264,342	264,342	-	264,342
Standby	102,067	102,067	-	102,067
	<u>10,633,485</u>	<u>10,633,485</u>	<u>2,670,706</u>	<u>7,962,779</u>
Plant	4,557,170	4,557,170	2,142,685	2,414,485
	<u>\$ 32,690,655</u>	<u>\$ 32,690,655</u>	<u>\$ 21,861,772</u>	<u>\$ 10,828,883</u>

See Note to Required Supplementary Information on Budgetary Reporting.

Iowa Valley Community College District

**Note to Required Supplementary Information
Budgetary Reporting
Year Ended June 30, 2004**

The Board of Directors annually prepares a budget designating the proposed expenditures for operation of the District on a basis consistent with accounting principles generally accepted in the United States of America. Following required public notice and hearing, and in accordance with Chapter 260C of the Code of Iowa, the Board of Directors certifies the approved budget to the appropriate county auditors and then submits the budget to the State Board of Education for approval. The budget may be amended during the year utilizing similar statutory prescribed procedures. Formal and legal budgetary control is based on total operating expenditures.

Budgets are not required to be adopted for the Auxiliary Enterprises subgroup, Workforce Investment Act accounts, Iowa Code 260F Jobs Training, scholarships and grants account, Loan Funds, and Agency Funds.

Iowa Valley Community College District

Balance Sheet - All Funds June 30, 2004

	Current Funds	
	General Unrestricted Funds	General Restricted Funds
Assets		
Current Assets:		
Cash and short-term pooled investments	\$ 2,742,897	\$ 5,869,403
Receivables:		
Accounts, net of allowance of \$1,064,714	745,877	163,801
Property tax	647,086	1,834,509
Iowa Industrial New Jobs Training Program	-	2,640,465
Due from other governments	84,107	567,048
Inventories	271,937	-
Prepaid expenses	406,229	-
Capital assets:		
Land	-	-
Buildings	-	-
Improvements other than buildings	-	-
Equipment and vehicles	-	-
Accumulated depreciation	-	-
Total assets	\$ 4,898,133	\$ 11,075,226
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 470,798	\$ 128,439
Salaries and benefits payable	1,107,763	-
Accrued interest on notes and certificates payable	-	33,331
Deferred revenue:		
Succeeding year property tax	638,295	1,834,509
Other	8,117	792,441
Early retirement payable	-	784,811
Deposits held in custody for others	-	-
Compensated absences	251,127	14,303
Certificates payable	-	6,915,000
Notes payable and revenue bond	-	-
Total liabilities	2,476,100	10,502,834
Fund Balances:		
Invested in capital assets, net of related debt	-	-
Restricted:		
Nonexpendable, cash reserve	-	264,342
Expendable:		
Loans	-	-
Plant	-	-
Iowa Industrial New Jobs Training Program	-	470,239
Early retirement	-	(683,018)
Other	-	520,829
Unrestricted	2,422,033	-
Total fund balances	2,422,033	572,392
Total liabilities and fund balances	\$ 4,898,133	\$ 11,075,226

See Note to Supplementary Information.

Nonoperating Funds					
Loan Funds	Plant Funds	Agency Funds	Adjustments	Total	
\$ 7,400	\$ 398,027	\$ 310,519	\$ -	\$ 9,328,246	
-	-	9,722	-	919,400	
-	640,915	-	-	3,122,510	
-	-	-	-	2,640,465	
1,375	47,880	-	-	700,410	
-	-	-	-	271,937	
-	-	-	-	406,229	
-	1,115,708	-	-	1,115,708	
-	28,045,682	-	-	28,045,682	
-	716,496	-	-	716,496	
-	3,784,461	-	-	3,784,461	
-	-	-	(12,439,393)	(12,439,393)	
\$ 8,775	\$ 34,749,169	\$ 320,241	\$ (12,439,393)	\$ 38,612,151	
\$ 2,013	\$ 49,035	\$ 43,920	\$ -	\$ 694,205	
-	-	585	-	1,108,348	
-	55,629	-	-	88,960	
-	638,295	-	-	3,111,099	
-	-	-	-	800,558	
-	-	-	-	784,811	
-	-	268,091	-	268,091	
-	-	7,645	-	273,075	
-	-	-	-	6,915,000	
-	6,610,248	-	-	6,610,248	
2,013	7,353,207	320,241	-	20,654,395	
-	27,052,099	-	(12,439,393)	14,612,706	
-	-	-	-	264,342	
6,762	-	-	-	6,762	
-	343,863	-	-	343,863	
-	-	-	-	470,239	
-	-	-	-	(683,018)	
-	-	-	-	520,829	
-	-	-	-	2,422,033	
6,762	27,395,962	-	(12,439,393)	17,957,756	
\$ 8,775	\$ 34,749,169	\$ 320,241	\$ (12,439,393)	\$ 38,612,151	

Iowa Valley Community College District

Schedule of Revenues, Expenditures, and Changes in Net Assets Year Ended June 30, 2004

	Current Funds		
	General Unrestricted Funds	General Restricted Funds	Total
Operating revenues:			
Tuition and fees	\$ 8,126,991	\$ 3,590	\$ 8,130,581
Federal appropriations	255,147	4,261,113	4,516,260
Iowa Industrial New Jobs Training Program	-	1,939,398	1,939,398
State appropriations	6,792,126	292,651	7,084,777
Property tax	683,689	1,594,703	2,278,392
Auxiliary enterprises revenue	2,679,985	-	2,679,985
Interest income from investments	144,192	30,407	174,599
Expended for plant assets, including \$106,904 in current operating fund expenditures	-	-	-
Miscellaneous	1,259,460	541,568	1,801,028
Total revenues and other additions	19,941,590	8,663,430	28,605,020
Expenditures and other deductions:			
Education and support:			
Liberal arts and sciences	4,774,250	12,096	4,786,346
Vocational technical	2,268,569	383,447	2,652,016
Adult education	2,855,637	1,275,758	4,131,395
Cooperative services	-	1,589,717	1,589,717
Administration	1,226,863	1,431,009	2,657,872
Student services	1,669,313	190,932	1,860,245
Learning resources	476,914	-	476,914
Physical plant	1,745,092	-	1,745,092
General institution	2,031,743	332,936	2,364,679
Scholarships and grants	-	2,624,241	2,624,241
Total education and support	17,048,381	7,840,136	24,888,517
Auxiliary enterprises	2,798,672	-	2,798,672
Loan cancellations and bad debts	-	-	-
Depreciation	-	-	-
Loss on disposition of capital assets	-	-	-
Interest on indebtedness	-	452,965	452,965
Expended for plant assets	-	-	-
Total expenditures and other deductions	19,847,053	8,293,101	28,140,154
Transfers among funds, including \$345,190 from agency fund	(223,789)	(312,260)	(536,049)
Net increase (decrease) for the year	(129,252)	58,069	(71,183)
Fund balances (deficit):			
Beginning	2,551,285	514,323	3,065,608
Ending	\$ 2,422,033	\$ 572,392	\$ 2,994,425

See Note to Supplementary Information.

Nonoperating Funds				
Loan				
Funds	Plant Funds	Adjustments	Total	
\$ -	\$ -	\$ (2,624,241)	\$ 5,506,340	
-	-	-	4,516,260	
-	-	-	1,939,398	
-	41,880	-	7,126,657	
-	683,654	-	2,962,046	
-	-	-	2,679,985	
616	8,003	-	183,218	
-	4,036,154	(756,596)	3,279,558	
198,049	103,909	(52,000)	2,050,986	
198,665	4,873,600	(3,432,837)	30,244,448	
-	-	(8,000)	4,778,346	
-	-	-	2,652,016	
-	-	-	4,131,395	
-	-	-	1,589,717	
-	-	(134,323)	2,523,549	
-	-	-	1,860,245	
-	-	-	476,914	
-	1,118,064	(1,200)	2,861,956	
-	-	(8,386)	2,356,293	
-	-	(2,624,241)	-	
-	1,118,064	(2,776,150)	23,230,431	
-	-	(6,995)	2,791,677	
196,313	-	-	196,313	
-	-	1,057,805	1,057,805	
-	14,200	(14,200)	-	
-	360,729	-	813,694	
-	649,692	(649,692)	-	
196,313	2,142,685	(2,389,232)	28,089,920	
(259)	881,498	-	345,190	
2,093	3,612,413	(1,043,605)	2,499,718	
4,669	23,783,549	(11,395,788)	15,458,038	
\$ 6,762	\$ 27,395,962	\$ (12,439,393)	\$ 17,957,756	

Iowa Valley Community College District

Schedule of Revenues, Expenditures, and Changes in Net Assets

Unrestricted Fund

Year Ended June 30, 2004

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services
Revenues:				
Tuition and fees	\$ 4,880,985	\$ 1,682,711	\$ 1,485,443	\$ -
Federal appropriations	36,561	71,041	115,341	-
State appropriations	-	525	-	-
Property tax	-	-	-	-
Interest income from investments	-	-	-	-
Miscellaneous	25,744	101,320	218,598	-
	4,943,290	1,855,597	1,819,382	-
Allocation of support services	4,848,262	1,726,046	1,855,296	-
Total revenues	9,791,552	3,581,643	3,674,678	-
Expenditures:				
Salaries and benefits	4,495,138	2,061,081	2,134,714	-
Services	156,754	75,061	398,353	-
Materials and supplies	63,890	104,801	127,983	-
Travel	32,890	27,626	31,939	-
Expended for plant assets	8,000	-	-	-
Miscellaneous	17,578	-	162,648	-
	4,774,250	2,268,569	2,855,637	-
Allocation of support services	4,112,259	1,464,018	1,573,648	-
Total expenditures	8,886,509	3,732,587	4,429,285	-
Excess (deficiency) of revenues over (under) expenditures	905,043	(150,944)	(754,607)	-
Transfers, nonmandatory	(54,743)	4,145	88,191	-
Net change in fund balances	\$ 850,300	\$ (146,799)	\$ (666,416)	\$ -
Fund balances:				
Beginning				
Ending				

See Note to Supplementary Information.

Support					Education and Support Total
Administration	Student Services	Learning Resources	Physical Plant	General Institution	
\$ -	\$ 49,300	\$ -	\$ -	\$ -	\$ 8,098,439
668	22,366	5,518	2,243	1,409	255,147
6,791,601	-	-	-	-	6,792,126
683,689	-	-	-	-	683,689
144,192	-	-	-	-	144,192
605,797	17,257	15,296	83,070	7,198	1,074,280
8,225,947	88,923	20,814	85,313	8,607	17,047,873
(8,225,947)	(88,923)	(20,814)	(85,313)	(8,607)	-
-	-	-	-	-	17,047,873
737,545	1,482,078	367,180	24,831	789,059	12,091,626
197,042	114,782	13,562	1,674,451	1,110,762	3,740,767
32,730	60,547	92,924	43,140	37,399	563,414
35,966	11,894	3,248	1,470	19,479	164,512
27,635	-	-	1,200	8,386	45,221
195,945	12	-	-	66,658	442,841
1,226,863	1,669,313	476,914	1,745,092	2,031,743	17,048,381
(1,226,863)	(1,669,313)	(476,914)	(1,745,092)	(2,031,743)	-
-	-	-	-	-	17,048,381
-	-	-	-	-	(508)
49,896	29,463	-	(462,684)	150,000	(195,732)
\$ 49,896	\$ 29,463	\$ -	\$ (462,684)	\$ 150,000	(196,240)
					1,849,641
					<u>\$ 1,653,401</u>

Iowa Valley Community College District

**Schedule of Revenues, Expenditures, and Changes in Net Assets
Auxiliary Enterprises
Year Ended June 30, 2004**

	Bookstore	Cafeteria/ Vending
Revenues:		
Tuition and fees	\$ -	\$ -
Sales and services	1,227,279	392,942
Miscellaneous	3,776	5,736
Total revenues	1,231,055	398,678
Expenditures and other deductions:		
Salaries and benefits	117,195	609
Services	4,915	325,839
Materials and supplies	4,330	18,750
Travel	1,705	-
Expended for plant assets	-	6,995
Purchases for resale	920,395	-
Miscellaneous	28,728	20,245
Total expenditures and other deductions	1,077,268	372,438
Excess (deficiency) of revenues over (under) expenditures	153,787	26,240
Transfers among funds, nonmandatory	(299,307)	(14,338)
Net change in fund balances	(145,520)	11,902
Fund balances:		
Beginning	452,278	13,429
Ending	\$ 306,758	\$ 25,331

See Note to Supplementary Information.

Athletics		Housing		Other		Total	
\$	-	\$	-	\$	28,552	\$	28,552
	119,511		927,574		12,679		2,679,985
	39,604		5,408		130,656		185,180
	159,115		932,982		171,887		2,893,717
	6,044		148,748		60,076		332,672
	27,834		241,007		17,100		616,695
	8,301		43,149		72,399		146,929
	7,259		503		4,098		13,565
	-		-		-		6,995
	-		-		-		920,395
	390,473		231,910		90,065		761,421
	439,911		665,317		243,738		2,798,672
	(280,796)		267,665		(71,851)		95,045
	283,608		(279,119)		281,099		(28,057)
	2,812		(11,454)		209,248		66,988
	32,281		-		203,656		701,644
\$	35,093	\$	(11,454)	\$	412,904	\$	768,632

Iowa Valley Community College District

Schedule of Revenues, Expenditures, and Changes in Net Assets

Restricted Fund

Year Ended June 30, 2004

	Insurance	Unemployment Compensation	Early Retirement	Equipment Replacement
Revenues and other additions:				
Tuition and fees	\$ -	\$ -	\$ -	\$ -
Federal appropriations	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
State appropriations	-	-	-	-
Property tax	796,172	30,346	362,559	303,748
Interest income from investments	-	-	-	-
Miscellaneous	10,000	-	236	-
Total revenues and other additions	806,172	30,346	362,795	303,748
Expenditures and other deductions:				
Salaries and benefits	10,508	1,793	362,559	-
Services	743,362	-	-	-
Materials and supplies	-	-	-	154,906
Travel	-	-	-	-
Expended for plant assets	-	-	-	54,688
Interest on indebtedness	-	-	-	-
Scholarships and grants	-	-	-	-
Miscellaneous	6,493	-	-	-
Total expenditures and other deductions	760,363	1,793	362,559	209,594
Excess (deficiency) of revenues over (under) expenditures	45,809	28,553	236	94,154
Transfers among funds:				
Nonmandatory transfers in	-	-	-	3,539
Nonmandatory transfers (out)	-	(1,254)	-	-
	-	(1,254)	-	3,539
Net change in fund balances	45,809	27,299	236	97,693
Fund balances:				
Beginning	(58,633)	(9,141)	(683,254)	134,564
Ending	<u>\$ (12,824)</u>	<u>\$ 18,158</u>	<u>\$ (683,018)</u>	<u>\$ 232,257</u>

See Note to Supplementary Information.

Cash Reserve	Iowa Industrial New Jobs Training Program	Workforce Investment Act and Promise Jobs	Scholarships	Other	Total
\$ -	\$ -	\$ -	\$ -	\$ 3,590	\$ 3,590
-	-	820,830	2,747,799	692,484	4,261,113
-	1,939,398	-	-	-	1,939,398
-	-	34,825	-	257,826	292,651
-	101,878	-	-	-	1,594,703
-	30,407	-	-	-	30,407
-	-	1,073	-	530,259	541,568
-	2,071,683	856,728	2,747,799	1,484,159	8,663,430
-	-	554,108	6,564	418,786	1,354,318
-	1,589,717	41,091	-	328,459	2,702,629
-	-	58,742	-	526,420	740,068
-	-	5,935	-	9,853	15,788
-	-	-	-	-	54,688
-	452,965	-	-	-	452,965
-	-	-	2,624,241	-	2,624,241
-	-	197,081	91,951	52,879	348,404
-	2,042,682	856,957	2,722,756	1,336,397	8,293,101
-	29,001	(229)	25,043	147,762	370,329
-	77,687	-	-	316,193	397,419
-	(103,183)	-	(100)	(605,142)	(709,679)
-	(25,496)	-	(100)	(288,949)	(312,260)
-	3,505	(229)	24,943	(141,187)	58,069
264,342	466,734	91,989	(22,609)	330,331	514,323
\$ 264,342	\$ 470,239	\$ 91,760	\$ 2,334	\$ 189,144	\$ 572,392

Iowa Valley Community College District

Schedule of Changes in Deposits Held in Custody for Others
Agency Funds
Year Ended June 30, 2004

	Student Clubs and Organizations	Ellsworth Residence Halls
Balances, beginning of year	\$ 166,973	\$ 40,000
Additions:		
Tuition and fees	284,000	-
State appropriations	-	-
Sales and services	675	-
Interest income from investments	1,721	-
Miscellaneous	32,925	-
Transfers in	106,681	-
Total additions	426,002	-
Deductions:		
Salaries and benefits	-	-
Services	4,219	-
Materials and supplies	2,796	-
Travel	42	-
Miscellaneous	152,732	40,000
Transfers out	271,035	-
Total deductions	430,824	40,000
Net additions and deductions	(4,822)	(40,000)
Balances, end of year	\$ 162,151	\$ -

See Note to Supplementary Information.

Iowa Small Business New Jobs Training Program	Other	Total
\$ 216,029	\$ (8,765)	\$ 414,237
-	-	284,000
128,160	-	128,160
-	64,878	65,553
-	-	1,721
-	235,842	268,767
-	6,525	113,206
128,160	307,245	861,407
-	178,594	178,594
99,727	39,737	143,683
-	1,621	4,417
-	3,422	3,464
-	26,267	218,999
3,156	184,205	458,396
102,883	433,846	1,007,553
25,277	(126,601)	(146,146)
\$ 241,306	\$ (135,366)	\$ 268,091

Iowa Valley Community College District

Note to Supplementary Information Year Ended June 30, 2004

Statements presented in the supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting, except for depreciation. The schedule of revenues, expenditures, and changes in fund balances is the statement of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses. In order to ensure observance of limitations and restrictions placed on the use of the resources available to the District, the accounts of the District are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions are accounted for and reported by fund group. Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated for specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund which owned such assets. Ordinary revenue derived from investments, receivables, and the like, is accounted for in the fund owning such assets.

The District utilizes the following fund groups:

Current Funds: The Current Funds are utilized to account for those economic resources that are expendable for the purpose of performing the primary and supporting missions of the District and consist of the following:

Unrestricted Fund: The Educational and Support subgroup of the Unrestricted Fund accounts for the general operations of the District. All property tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this subgroup. From this subgroup are paid the general operating expenses, the fixed charges and the expenditures for plant assets that are not paid from other funds.

The Auxiliary Enterprises subgroup accounts for activities which are intended to provide noninstructional services for sales to students, staff and/or institutional departments, and which are supplemental to the educational and general objectives of the District. In addition, it accounts for activities which provide instructional and laboratory experiences for students and which incidentally create goods and services that may be sold to students, faculty, staff, and the general public.

Restricted Fund: The Restricted Fund is used to account for resources that are available for the operation and support of the educational program but which are restricted as to their use by donors or outside agencies.

The scholarships and grants subgroup accounts for resources available for awards to students which are not in payment of services rendered to the District and which will not require repayment to the District.

The District has agreements with various businesses under the Iowa Industrial New Jobs Training Program (NJTP). The District administers the program, with the revenues and expenditures being restricted by the State for use in this program. The District is accounting for the activity of the NJTP in the Restricted Current Funds.

Iowa Valley Community College District

**Note to Supplementary Information
Year Ended June 30, 2004**

Loan Funds: The Loan Funds are used to account for loans to students.

Plant Funds: The Plant Funds are used to account for transactions relating to investment in the District's properties, and consist of the following self-balancing subfunds:

Unexpended: This subfund is used to account for the unexpended resources derived from various sources for the acquisition or construction of plant assets.

Retirement of indebtedness: This subfund is used to account for the accumulation of resources for principal and interest payments on plant indebtedness.

Investment in plant: This subfund is used to account for the excess of the carrying value of plant assets over the related liabilities.

Agency Funds: The Agency Funds are used to account for assets held by the District in a custodial capacity or as an agent for others. Agency Funds' assets equal liabilities. Transactions of the Agency Funds represent charges or credits to the individual asset and liability accounts and do not involve measurement of revenues or expenditures.

Iowa Valley Community College District

**Schedule of Credit and Contact Hours
Year Ended June 30, 2004**

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and sciences	47,724	-	47,724	940,878	-	940,878
Vocational preparatory	13,320	-	13,320	334,965	-	334,965
Adult/continuing education	-	-	-	289,056	70,992 *	360,048
Cooperative programs/services	-	-	-	-	-	-
Related services and activities	-	-	-	-	76,645	76,645
	61,044	-	61,044	1,564,899	147,637	1,712,536

* Includes 240 hour adjustment of 9,735 hours and 300 hour adjustment of 840 hours.

Iowa Valley Community College District

Comparison of Taxes and Intergovernmental Revenues
Year Ended June 30, 2004

	2004	2003	2002	2001
Local property tax	\$ 2,962,046	\$ 2,898,755	\$ 2,702,670	\$ 2,606,370
State	7,126,657	7,125,664	7,006,700	8,015,534
Federal	4,516,260	3,902,052	3,725,161	3,638,743
	<u>\$ 14,604,963</u>	<u>\$ 13,926,471</u>	<u>\$ 13,434,531</u>	<u>\$ 14,260,647</u>

Iowa Valley Community College District

**Schedule of Current Fund Revenues by Source and Expenditures by Function
Last Four Years**

	2004	2003	2002	2001
Revenues:				
Tuition and fees	\$ 8,130,581	\$ 6,942,235	\$ 6,727,919	\$ 6,525,447
Federal appropriations	4,516,260	3,902,052	3,721,633	3,633,005
Iowa Industrial New Jobs Training Program	1,939,398	375,201	2,121,775	1,309,465
State appropriations	7,084,777	6,938,093	7,006,700	7,593,187
Property tax	2,278,392	2,208,736	2,044,957	1,959,463
Interest income from investments	174,599	239,436	356,277	605,321
Auxiliary enterprises revenue	2,679,985	1,857,872	1,923,574	1,824,390
Miscellaneous	1,801,028	1,662,394	1,172,242	1,135,198
	\$ 28,605,020	\$ 24,126,019	\$ 25,075,077	\$ 24,585,476
Expenditures:				
Liberal arts and sciences	\$ 4,786,346	\$ 4,373,634	\$ 3,795,864	\$ 4,156,867
Vocational technical	2,652,016	2,192,762	2,355,122	2,580,122
Adult education	4,131,395	3,639,400	3,616,279	3,984,865
Cooperative services	1,589,717	354,934	1,797,075	505,383
Administration	2,657,872	1,795,928	2,762,986	2,728,056
Student services	1,860,245	1,399,234	1,490,028	1,540,701
Learning resources	476,914	435,542	428,048	448,927
Physical plant	1,745,092	1,691,470	1,563,891	1,492,360
General institution	2,364,679	1,920,873	1,881,398	2,126,651
Auxiliary enterprises	2,798,672	2,054,617	1,815,941	1,764,886
Computer services	-	-	7,440	7,660
Scholarships and grants	2,624,241	2,581,607	2,539,760	2,215,261
Interest on indebtedness	452,965	489,912	600,617	635,180
	\$ 28,140,154	\$ 22,929,913	\$ 24,654,449	\$ 24,186,919

Iowa Valley Community College District

Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Name	Pass Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures	New Loans
United States Department of Education:				
Direct programs:				
Federal Pell Grant	N/A	84.063	\$ 2,504,575	\$ -
Federal Supplemental Educational Opportunity Grant	N/A	84.007	116,682	-
Federal Work-Study	N/A	84.033	124,602	-
National Direct Student Loans	N/A	84.038	745	-
Passed through lending institutions,				
Federal Family Education Loan Program (Note 2)	N/A	84.032	-	4,123,689
Total student financial assistance cluster			2,746,604	4,123,689
Passed through Iowa Department of Education:				
Vocational education:				
Carl Perkins	IIC	84.048A	187,056	-
Corrections	IIC	84.048A	10,000	-
Tech Prep Curriculum Development	III	84.243A	69,093	-
Community Technology Grant	N/A	84.341A	218,508	-
Strengthening Institutions Title III	P031A030086	84.031A	165,408	-
Teacher training	N/A	84.002	1,750	-
Adult basic education	N/A	84.002	101,016	-
ESL	N/A	84.002	12,150	-
Passed through Iowa Department of Vocational Rehabilitation Services, TAP				
	04 TAP-08	84.126	43,116	-
	03 TAP-08	84.126	16,373	-
Total United States Department of Education			3,571,074	4,123,689
United States Department of Labor:				
Passed through Iowa Workforce Development:				
Job Training Partnership Act (JTPA):				
Re-employment Services	I-W-06-FR-0	17.250	14,310	-
Workforce Investment Act (WIA):				
Adult Formula and Statewide	I-W-06-FR-0	17.258	108,791	-
Youth and Statewide	I-W-06-FR-0	17.259	63,148	-
Dislocated Worker	I-W-06-FR-0	17.260	190,408	-
Total Workforce Investment Act cluster			362,347	-
Employment Services	I-W-06-FR-0	17.207	27,205	-
Unemployment Insurance Large Office and Small Office	I-W-06-FR-0	17.225	22,019	-
Welfare to Work	I-W-06-FR-0	17.253	372	-
Passed through Iowa Department of Education,				
Mine Safety Health Administration	N/A	17.602	42,419	-
Total United States Department of Labor			468,672	-
Department of Health and Human Services:				
Passed through Iowa Workforce Development,				
Job Opportunities and Basic Skills Training (Promise Jobs)	I-W-06-FR-0	93.558	394,577	-
			\$ 4,434,323	\$ 4,123,689

See Notes to Schedule of Expenditures of Federal Awards.

Iowa Valley Community College District

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Notes 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Iowa Valley Community College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Student Financial Assistance

The District is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program, and accordingly, these loans are not included in its financial statements. It is not practical to determine the balance of the loans outstanding to students and former students of the District under this program as of June 30, 2004.

Iowa Valley Community College District

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2004**

Comment	Status
<u>Findings and Questioned Costs for Federal Awards:</u>	
03-1: Untimely return of Title IV funds	Corrective action taken

McGladrey & Pullen

Certified Public Accountants

**Independent Auditors' Report
on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of the Financial Statements
Performed in Accordance with Government Auditing Standards**

The Board of Directors
Iowa Valley Community College District
Marshalltown, Iowa

We have audited the financial statements of Iowa Valley Community College District as of and for the year ended June 30, 2004, and have issued our report thereon dated November 23, 2004. The discretely presented component units' financial statements were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not extend to the discretely presented component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 11 of the Code of Iowa.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iowa Valley Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Iowa Valley Community College District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Items 04-II-A and 04-II-B.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Valley Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about Iowa Valley Community College District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of Iowa Valley Community College District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
November 23, 2004

McGladrey & Pullen

Certified Public Accountants

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

The Board of Directors
Iowa Valley Community College District
Marshalltown, Iowa

Scope of this Report

We did not audit the compliance with the requirements of laws, regulations, contracts, and grants of the discretely presented component units, and accordingly, this report does not extend to the discretely presented component units. Iowa Valley Community College District's basic financial statements include the financial statements of Ellsworth Community College Foundation and Marshalltown Community College Foundation, discretely presented component units, which are unaudited.

Compliance

We have audited the compliance of Iowa Valley Community College District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2004. The Iowa Valley Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Iowa Valley Community College District's management. Our responsibility is to express an opinion on the Iowa Valley Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 11 of the Code of Iowa. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Iowa Valley Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Iowa Valley Community College District's compliance with those requirements.

In our opinion, Iowa Valley Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Iowa Valley Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Iowa Valley Community College District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over compliance which we have reported to management of the District in a separate letter dated November 23, 2004.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
November 23, 2004

Iowa Valley Community College District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- | | | |
|---|-----------------------|---------------------------------|
| ▪ Material weakness identified? | <u> </u> Yes | <u> X </u> No |
| ▪ Reportable condition identified that is not considered to be a material weakness? | <u> X </u> Yes | <u> </u> None Reported |

Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No
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Federal Awards

Internal control over major programs:

- | | | |
|---|-----------------------|----------------------------|
| ▪ Material weakness identified? | <u> </u> Yes | <u> X </u> No |
| ▪ Reportable condition identified that is not considered to be a material weakness? | <u> </u> Yes | <u> X </u> None Reported |

Type of auditor's report issued on compliance for major programs: Unqualified

- | | | |
|--|-----------------------|-----------------|
| ▪ Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | <u> </u> Yes | <u> X </u> No |
|--|-----------------------|-----------------|

Identification of major programs:

CFDA Number	Name of Federal Program
84.007	Federal Supplemental Educational Opportunity Grants (SEOG)
84.032	Federal Family Education Loans (FFEL)
84.033	Federal Work-Study Program (FWS)
84.063	Federal Pell Grant Program
84.038	National Direct Student Loans (NDSL)
17.258	Workforce Investment Act – Audit
17.259	Workforce Investment Act – Youth
17.260	Workforce Investment Act – Dislocated Worker
93.558	Job Opportunities and Basic Skills Training (Promise Jobs)

Iowa Valley Community College District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Dollar threshold used to distinguish between
type A and type B programs

\$300,000

Auditee qualified as low-risk auditee?

 X Yes No

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

(A) Reportable Conditions in Internal Control

04-II-A

Finding: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: The Payroll Clerk inputs new employee file maintenance, inputs time cards, prints payroll checks, and delivers payroll checks to department heads.

Criteria: A system of internal control contemplates an adequate segregation of duties. An adequate segregation of duties requires that no one individual shall handle a transaction from inception to completion.

Recommendation: We recommend the District look for ways to strengthen internal controls by realigning or reassigning duties where practical.

Response and Corrective Action Plan: Management will work with staff to consider changes to these duty assignments.

04-II-B

Finding: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: The Accounts Payable Clerk and others can enter invoices, generate checks and also collect cash, and perform reconciliation functions.

Criteria: A system of internal control contemplates an adequate segregation of duties. An adequate segregation of duties requires that no one individual shall handle a transaction from inception to completion.

Recommendation: We recommend the District look for ways to strengthen internal controls by realigning or reassigning duties where practical.

Iowa Valley Community College District

Schedule of Findings and Questioned Costs Year Ended June 30, 2004

Response and Corrective Action Plan: Management will work with staff to consider changes to these duty assignments.

(B) Compliance Findings

None.

III. Findings and Questioned Costs for Federal Awards

None.

IV. Other Findings Related to Required Statutory Reporting

- IV-A-04 Official Depositories – Official depositories have been adopted by the Board. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- IV-B-04 Certified Budget – Expenditures for the year ended June 30, 2004 did not exceed the amounts budgeted.
- IV-C-04 Questionable Disbursements – No expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-E-04 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- IV-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-04 Publication – The District published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa, except that the publication was untimely published in October instead of August.

Finding: IVCCD failed to comply with Chapter 260C.14(12) of the Iowa Code that requires the College to publish a summarized statement showing receipts and disbursements for all funds of the College by the second week of August.

Condition: IVCCD must publish a summarized statement showing receipts and disbursements for all funds of the College by the second week of August.

Criteria: Chapter 260C.14(12) requires the summarized statement to be published by the second week of August.

Iowa Valley Community College District

Schedule of Findings and Questioned Costs Year Ended June 30, 2004

Recommendation: IVCCD should continue to be aware of all applicable statutes of the Iowa Code.

Response and Corrective Action Plan: IVCCD published the College's summarized statement showing receipts and disbursements for all funds of the College on October 2, 2004.

Conclusion: Corrective action taken.

IV-I-04 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-04 Credit and Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the District were supported by detailed records maintained by the District, except for the following:

<u>Category</u>	<u>Contact Hours Reported</u>	<u>Total Per Supporting Documentation</u>	<u>Difference</u>
Adult Education - Miscellaneous - Forklift Training - Sig Manufacturing	4.8	2.4	2.4

Recommendation: The District should verify that the number of contact hours reported for each noncredit course agrees to the class schedule.

Response: The District believes this instance was the result of a data entry error and will implement review procedures.

Conclusion: Response accepted.

Iowa Valley Community College District

Corrective Action Plan Year Ended June 30, 2004

Comment Number	Comment	Corrective Action Plan	Contact Person	Anticipated Date of Completion
Reportable Conditions:				
04-II-A	Inadequate segregation of duties over the payroll cycle.	See corrective action plan at 04-II-A.	Roger Groteluschen Vice President of Finance and Facilities	June 2005
04-II-B	Inadequate segregation of duties over the disbursements cycle.	See corrective action plan at 04-II-B.	Roger Groteluschen Vice President of Finance and Facilities	June 2005
Statutory Reporting:				
IV-H-04	Untimely publication of District receipts and disbursements.	See corrective action plan at IV-H-04.	Roger Groteluschen Vice President of Finance and Facilities	June 2005
IV-J-04	Contact hours reported did not agree to class schedule.	See corrective action plan at IV-J-04.	Roger Groteluschen Vice President of Finance and Facilities	June 2005